

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 SP-02 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 COME-00

IGA-01 /072 W

----- 102735

R 210800Z APR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9578

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L TOKYO 5251

E.O. 11652: GDS

TAGS: EAID, ETRD, EINV, JA, VS

SUBJ: JAPANESE AID TO SOUTH VIETNAM: JAPANESE TRADE AND INVESTMENT
WITH SOUTH VIETNAM

SUMMARY: FONOFF REPS INDICATE IT IS UNLIKELY THAT PREVIOUSLY
ANTICIPATED 7 BILLION YEN GRANT AND 9 BILLION LOAN TO SOUTH
VIETNAM WILL BE REALIZED IN NEAR FUTURE, IF AT ALL, EVEN
THOUGH GOJ WILL MOVE FORWARD WITH ADDITIONAL HUMANITARIAN AID
FOR KHMER AND SOUTH VIETNAM THROUGH MULTILATERAL CHANNELS.
IN ADDITION, SUSPENSION OF MITI EXPORT INSURANCE, CANCELLATION
OF JAPAN-SAIGON OCEAN SHIPPING SCHEDULED FOR APRIL AND EVACU-
ATION OF JAPANESE NATIONALS FROM SAIGON DEAL BLOWS TO PRIVATE
JAPAN-SOUTH VIETNAM ECONOMIC INTERCOURSE. END SUMMARY.

1. ON APRIL 18 EMBOFF REVIEWED WITH FONOFF REPS (TSUKADA,
DEPUTY DIRECTOR, FIRST SOUTHEAST ASIA DIVISION, AND SEZAKI,
DEPUTY DIRECTOR, FIRST ECONOMIC COOPERATION DIVISION)
PROSPECTS FOR ADDITIONAL AID TO SOUTH VIETNAM. FONOFF
REPS ALSO PROVIDED INFO TO CORROBORATE RECENT JAPANESE
PRESS REPORTS RE TRADE AND INVESTMENT RELATIONSHIPS WITH
SOUTH VIETNAM.

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2. RE 7 BILLION YEN BILATERAL GRANT TO SOUTH VIETNAM
(REPORTED TOKYO 4128 AND SUBSEQUENT), ORIGINALLY TO HAVE
BEEN COMMITTED IN JFY 74 (ENDING MARCH 31, 1975), TSUKADA
SAID GOJ HAS PROPOSED TO GVN THAT A PORTION OF THIS AID,

PERHAPS ONE QUARTER, BE UTILIZED FOR EMERGENCY HUMANITARIAN PURPOSES, AND THAT GVN SUBMIT LIST OF GOODS TO BE PURCHASED WITH THIS MONEY. GVN HAS NOT YET RESPONDED TO THIS PROPOSAL, HE SAID. IN THE EVENT GVN DOES RESPOND, DETAILED NEGOTIATIONS AND AGREEMENT ARE CONTINGENT ON A MINIMUM DEGREE OF STABILITY AND A DEMONSTRATION OF MINIMUM GVN ADMINISTRATIVE EFFICIENCY IN SAIGON AND SOUTHERN SOUTH VIETNAM AREA. GOJ PRESENTLY HAS NO INTENTION OF CANCELLING BALANCE OF 7 BILLION YEN GRANT, SAID TSUKADA, BUT PROGRESS ON THIS BALANCE IS ALSO CONTINGENT ON TWO CONDITIONS STATED ABOVE.

3. RE MULTILATERAL AID FOR HUMANITARIAN PURPOSES, TSUDKADA NOTED THAT OTHER DONOR COUNTRIES HAD ANNOUNCED SUCH AID IN LAST FEW DAYS, AND SAID GOJ FEELS OBLIGATION TO PROVIDE FAIR PROPORTION OF ADDITIONAL AID OF THIS TYPE--BEYOND RECENT 600 MILLION YEN GRANT TO RED CROSS IOG (TOKYO 4571). NEW AID WOULD PROBABLY BE THROUGH UNICEF, UNHCR OR IOG HE SAID. (HANABUSA, FIRST SE ASIA DIVISION DIRECTOR, TOLD EMBOFF IN SEPARATE CONVERSION THAT SUCH AID WOULD PROBABLY TOTAL 10 MILLION DOLLARS. ONE SOURCE OF MONEY WILL BE 7 MILLION DOLLARS EARLIER EARMARKED FOR GOJ 1975 CONTRIBUTION TO ESF IN KHMER.)

4. RE 9 BILLION YEN BILATERAL LOAN (TOKYO 4128 AND SUBSEQUENT), WITH RESPECT TO WHICH NOTES WERE EXCHANGED MARCH 28, SEZAKI SAID SITUATION HAS DETERIORATED SO IN SOUTH VIETNAM THAT QUESTION IS NOW WHETHER LOAN AGREEMENT, EVEN IF SIGNED, COULD BE EFFECTIVELY IMPLEMENTED. FONOFF HAS THUS ASKED GOJ EMBASSY SAIGON TO REPORT ON THIS QUESTION. REPORT IS EXPECTED NEXT WEEK, AND DECISION WHETHER TO PROCEED WITH LOAN AGREEMENT AND DISBURSEMENT WILL BE MADE ON BASIS THAT REPORT. (IN FOLLOW-UP CONVERSATION APRIL 21, SEZAKI DENIED THAT GOJ HAD YET DECIDED TO INDEFINITELY POSTPONE LOAN AS REPORTED IN APRIL 21 NIHON KEIZAI SHINBUN ARTICLE,
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BUT SAID FONOFF IS MOVING IN THAT DIRECTION PENDING RECEIPT OF ABOVE-MENTIONED REPORT FROM SAIGON.)

5. FOLLOWING A TEMPORARY ONE WEEK SUSPENSION ANNOUNCED APRIL 4, MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ANNOUNCED APRIL 10 IT WAS INDEFINITELY SUSPENDING ISSUANCE OF EXPORT INSURANCE (WHICH INCLUDES INVESTMENT INSURANCE) TO SOUTH VIETNAM (AND TO KHMER). ACCORDING TO TSUKADA OF FONOFF, THIS DECISION WAS TAKEN BY MITI ALONE BASED ON COMMERCIAL CONSIDERATIONS.

6. PERHAPS A MORE SERIOUS PROBLEM RE JAPAN-SOUTH VIETNAM TRADE IS THE SUSPENSION OF SCHEDULED JAPAN-SAIGON

SHIPPING DURING APRIL: PROSPECTS FOR LATTER MONTHS ARE NOT YET CLEAR. ACCORDING TO TSUKADA, SHIPPING SUSPENSION RESULTED FROM OBJECTIONS OF SEAMEN'S UNION AND INABILITY OF JAPANESE VESSELS AND DESTINED FOR SAIGON.

7. JAPANESE NATIONALS ARE IN PROCESS OF LEAVING SOUTH VIETNAM. FOLLOWING INITIAL ADVICE TO EVACUATE ISSUED BY JAPANESE BUSINESS ORGANIZATION AND ENDORSED BY GOJ EMBASSY SAIGON EARLY IN APRIL, GOJ EMBASSY SAIGON HAS TWICE ADVISED JAPANESE NATIONALS TO LEAVE SOUTH VIETNAM, SAID TSUKADA. SPEAKING IN APPROXIMATE FIGURES, TSUKADA SAID JAPANESE COMMUNITY OF 500 HAD BEEN REDUCED TO 250 BY APRIL 15, AND THAT 180 OF REMAINING 250 HAD EXPRESSED THEIR INTENTION TO LEAVE BY FIRST AVAILABLE MEANS.

8. PRESS REPORTS INDICATE THAT SUCH JAPANESE BUSINESSES AS BANK OF TOKYO, MITSUI, MITSUBISHI, C. ITOH AND NICHIMEN HAVE EVACUATED THEIR JAPANESE STAFFS, SOME REPORTEDLY QTE TEMPORARILY UNQTE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE, INVESTMENTS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO05251
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750139-0122
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197504102/baaaafgm.tel
Line Count: 132
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by BoyleJA>; APPROVED <18 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> sph 971124
Subject: n/a
TAGS: EAID, EINV, ETRD, JA, VS
To: STATE INFO SAIGON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006